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later: Mr. Armitage (Vice-Chairman) ..... (Australia)
later: Mr. Abelian (Chairman) ..... (Armenia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

Contents

Agenda item 115: Improving the financial situation of the United Nations

Agenda item 113: Programme budget for the biennium 1998–1999 (*continued*)

Agenda item 118: Scale of assessments for the apportionment of the expenses of the United Nations

Other matters

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The meeting was called to order at 3 p.m.

Agenda item 115: Improving the financial situation of the United Nations

1. **Mr. Connor** (Under-Secretary-General for Management) said that the financial state of the Organization was precarious. The United Nations was forced to resort to financial practices which were imprudent. There was little flexibility; liquidity was drying up. Unpaid assessments amounted to over $2.5 billion. Regular budget cash was now in deficit, primarily because of late and unpaid dues. Peacekeeping cash was steadily declining, and a significant portion would be cross-borrowed by the end of the year to bail out the regular budget cash deficit. Total combined cash could fall to a low of $528 million by year's end. Cash left in the peacekeeping accounts was needed to pay ongoing peacekeeping expenditures through the mandate period, and little if any balance would be left to pay the over $860 million in debt owed to Member States for troops and equipment. In short, assessments had not been fully paid; cash was down; and obligations exceeded cash balances. With a decreasing level of peacekeeping activity, the future availability of peacekeeping cash to bail out the regular budget cash deficit was increasingly uncertain.

2. The prompt collection of assessments was the bedrock of United Nations financial stability. At the end of September 1998, unpaid assessments aggregated over $2.5 billion: $683 million for the regular budget, over $1.8 billion for peacekeeping operations and $22 million for the international tribunals. Excluding amounts due within the 30-day period, the major contributor accounted for 67 per cent of the total amount owed; 9 of the 14 other largest contributors accounted for 14 per cent, and the remaining 158 Member States accounted for 19 per cent. The amount owed on 30 September 1998 was unusually high. It resulted in part from the major contributor not paying by that date some amounts which had been legislated for payment in its fiscal year beginning 1 October 1997.

3. At 30 September 1998, the largest contributor owed 82 per cent of the regular budget aggregate amounts. One of the next 14 principal contributors had outstanding regular budget contributions amounting to 5 per cent of the unpaid aggregate. Of the remaining 170 Member States, 83 owed 13 per cent of the total. Unpaid peacekeeping assessments had risen steadily since 1990, despite a significant decrease in the level of peacekeeping activity. Total outstanding peacekeeping amounts at the end of September amounted to over $1.7 billion, excluding $101 million of recent assessments within the 30-day period. At 30 September 1998, the largest contributor owed 61 per cent of total outstanding peacekeeping assessments, 9 of the 14 other largest contributors owed 17 per cent and 158 of the remaining 170 Member States together owed 22 per cent.

4. As at 30 September 1998, 100 Member States had paid their regular budget contributions in full for 1998 and for all prior years, a continuing improvement over previous years. However, as of that date, the United Nations had received in 1998 regular budget payments of $877 million for current-year and prior-years assessments. The amount collected in 1998 in respect of current-year assessments was only $727 million, or 67 per cent of the total. At 30 September 1998, $731 million in aggregate contributions had been made by the 15 largest contributing Member States and $146 million by all others.

5. There was a very erratic pattern of regular budget cash balances in 1998. At the beginning of 1998, there had been a deficit of $122 million, despite a budgetary underspend in 1996–1997 which had moderated the amount of negative cash balances at the end of 1997. Cash inflows from timely payments of 1998 assessments had permitted the repayment of amounts borrowed from peacekeeping funds and had eliminated the negative regular budget cash deficit by the end of January 1998. A continuing stream of regular budget receipts had made possible to stay in a positive cash position until August, when it had been necessary to borrow from peacekeeping funds. In September, the payment by Japan of the balance of its regular budget contribution had made it possible to repay borrowed peacekeeping funds and end the month of September in a positive cash position. However, as a result of the uncertainty of receiving payments from the United States of America, it was projected that it would be necessary to cross-borrow from peacekeeping cash to fund the regular budget cash needs during the last quarter of the year.

6. Several Member States had indicated that they would make payments to the regular budget in the last quarter of 1998. However, the United States of America had informed the Secretariat that enabling national legislation had not yet been fully enacted, and that it could not give an assurance that all the payments it hoped to make by 31 December 1998 would in fact be made. Therefore, those amounts had not been included in cash forecasting. On that basis, it was estimated that regular budget cash at the end of the year would be in a deficit position of $247 million. That projection continued the trend of increasing deficits which had begun in 1994.

7. During the years 1991 to 1994 and 1996 and 1997, the United States of America had paid on average an amount

slightly in excess of regular budget assessments in the aggregate for that period; by contrast, it had paid only 48 per cent in 1995. Without a payment to compensate for that shortfall, the United Nations would be in a deficit regular budget cash position at the end of each future year, and would face a recurring need to cross-borrow.

8. Usable peacekeeping cash at the end of September had totalled $844 million and was expected to drop to $775 million by the end of the year. Overall, it was projected that total peacekeeping disbursements would exceed peacekeeping contributions in 1998, reflecting a reduction in assessment amounts resulting from the application of accumulated credits in respect of the unencumbered balances of peacekeeping missions. Moreover, expenditures under the liquidation phase of several peacekeeping missions were not balanced by the collection of corresponding assessments. There had been a sharp reduction since 1994 and 1995 in the level of peacekeeping activity. The unavoidable corollary was that peacekeeping cash had diminished and would continue to do so.

9. For each of the most recent years, the amount of combined regular budget and peacekeeping cash had been less than that of the year before. It was projected that at the end of 1998, combined cash would total $528 million, based on regular budget cash of negative $247 million and peacekeeping positive balances of $775 million. By the end of December, it would be necessary to cross-borrow 32 per cent of peacekeeping cash to cover the deficit in the regular budget cash, leading to a further decline in liquidity. The future availability of peacekeeping cash for cross-borrowing was increasingly in doubt.

10. It was estimated that at the end of 1998, $864 million would be owed to troop- and equipment-contributing countries. It was envisaged that the total reimbursement figure for 1998 would reach $179 million. In accordance with the Secretary-General's goal of paying the full amount of obligations incurred by the Organization during the year in which those obligations were incurred, every effort was being made to pay 1998 incurred costs. Obligations for 1998 for troops were expected to total $162 million, and payments amounting to $164 million would be made for troop- and contingent-owned equipment. Arrearage contributions of $15 million had been received from Member States and would be used to make an additional reimbursement payment. Even so, the Organization's debt remained high. The current level of troop and equipment obligations could not be paid until peacekeeping assessments long in arrears were received by the Organization.

11. He was frequently asked how long the current situation could continue. It could be said that the situation would continue so long as there was peacekeeping cash to cross-borrow; and so long as Members tolerated the non-payment of debt that was owed them.

12. Article 19 of the Charter applied to all assessed contributions. The current practice with regard to the application of Article 19 involved a single annual calculation towards the end of each year for the following year, comparing the total of unpaid contributions that were due and payable by the end of that year with the total gross assessments that became due and payable during the preceding two years. Assessments issued in December, whose 30-day due date period fell in the following year, were not included for that purpose. The loss of voting rights in the General Assembly under Article 19 was automatic, unless the General Assembly specifically decided to grant an exemption or until the minimum necessary payment had been received. In late November or early December, the Secretariat alerted those Member States which were in danger of falling under Article 19 in the following year; before the first meeting of the General Assembly in the new year, the Secretary-General officially notified the President of the General Assembly as to those Member States falling under Article 19. In 1998, 39 Member States had been listed in the official notification letter and a smaller number in succeeding notification documents. The notification letter did not list Member States (3 at the beginning of 1998) exempted by action of the General Assembly from Article 19. It was impossible to make final calculations for the application of Article 19 until the exact figures for assessments issued or to be issued by the end of November was known.

13. **Mr. Atiyanto** (Indonesia), speaking on behalf of the Group of 77 and China, said that, as stressed by the Ministers for Foreign Affairs of the Group of 77 and China at their twenty-second annual meeting, the primary cause of the Organization's financial difficulties was the failure on the part of certain developed countries to pay their assessed contributions to the regular and peacekeeping operation budgets in full, on time and without conditions. The countries he represented recognized, however, the need to extend sympathetic understanding to Member States who were temporarily unable to meet their financial obligations as a consequence of genuine economic difficulties.

14. They noted with regret that the continuing cash flow deficit in the regular budget had made it necessary for the Secretariat to resort to internal cross-borrowing from the peacekeeping budgets. Late reimbursement to developing countries that provided troops and equipment to various

peacekeeping operations continued to be a matter of concern to the Group.

15. **Ms. López** (Philippines), speaking on behalf of the States members of the Association of South-East Nations (ASEAN), said that those States fully supported the statement made by the representative of Indonesia on behalf of the Group of 77 and China. ASEAN was concerned that the continuing financial situation was crippling the Organization's capacity to implement fully, efficiently and effectively the programmes and activities mandated by the Member States. The financial crisis of the Organization was due to the late payment or non-payment by some Member States, particularly the major contributor, of their assessed contributions. The members of ASEAN did not share the view expressed by others that the scale of assessments had made it impossible for some Member States to fulfil their legal financial obligations to the United Nations. Despite their current economic difficulties, the South-East Asian had taken their Charter obligations seriously by trying to pay their assessed dues promptly. They expected others with higher payment capacity to exert greater efforts in paying their dues.

16. The ASEAN nations regretted that the United Nations had had to borrow from peacekeeping funds to finance regular budget activities, a situation which had delayed reimbursement to troop-contributing countries from the developing world. The practice of imposing conditions for payment of assessed dues was unacceptable and should not be allowed to continue. It was regrettable that, after three years of deliberations, the High-Level Open-Ended Working Group on the Financial Situation of the United Nations had been unable to recommend measures that would restore the financial health of the Organization and ensure compliance by Member States with their Charter obligations. Proposals that would encourage Member States to pay their dues promptly deserved further consideration. However, ASEAN continued to believe that the only effective way to resolve the problem was through the early settlement of arrears and timely payment of assessed contributions.

17. **Mr. Kamal** (Pakistan), expressing his country's concern over the deteriorating financial situation of the Organization, said that the acceptance by the Secretariat of personnel on loan had led to a perceived contravention of Articles 100 and 101 of the Charter and a serious geographical imbalance in some parts of the Secretariat. The practice of cross-borrowing from the peacekeeping budgets was also a matter of concern. Ironically, those Member States who had responded to the call of the United Nations to maintain international peace and security were virtually having to pay for the non-fulfilment of Charter obligations by other Member States, in particular by a major contributor.

18. His delegation wondered for how long the developing countries would be required to finance the Organization on behalf of those who had the capacity to pay but were not paying their assessed contributions in full, on time and without conditions. The response of the Under-Secretary-General for Management to the question was depressing, certainly for those who were owed so much by so few.

19. His delegation had suggested earlier that the Fifth Committee should consider the financial situation of the United Nations in all its aspects with a view to finding a solution to the problem. The High-Level Open-Ended Working Group on the Financial Situation of the United Nations had not lived up to expectations; it was to be hoped that the Fifth Committee would succeed where the Working Group had failed. The Committee had already taken a step forward by requesting the Secretary-General to submit a report on incentives for those Member States which were current in the payment of their assessed contributions. It should also recommend that the application of Article 19 should be reviewed with the aim of rendering it more effective.

20. The financial situation of the United Nations could not be isolated from the serious financial crisis currently affecting the world. The United Nations must adopt an innovative approach in addressing the alarming situation, particularly as evidenced in the recent trends towards economic recession in South-East Asia, Latin America, the economies in transition and some least developed countries. The financial situation of the United Nations should in no way deprive it of its role in shaping the new global financial architecture. It was the collective responsibility of all members to provide the Organization with the resources it needed in order to do so.

21. **Mr. Sychou** (Belarus) said that the financial difficulties of the United Nations had an adverse effect on the Organization's ability to carry out approved programmes and undermined the reform process. The financial crisis was at risk of becoming permanent, and, as a result, a technical problem was increasingly turning into a political problem, which could undermine the foundations of the Organization. The existing mechanism for resolving the financial problems of the United Nations was conservative and ineffective; concrete measures needed to be taken on the basis of the numerous proposals submitted by experts, including those made within the High-Level Open-Ended Working Group on the Financial Situation of the United Nations.

22. The basic reason for the financial crisis was the increase in the scale of activity of the Organization, and accompanying substantial increase in expenditure, along with the non-payment of contributions on time and in full, especially by the largest contributors. His delegation welcomed the positive steps which had been taken to reform the scale of assessments, as well as the efforts of the Secretary-General to stabilize the financial situation, reduce administrative costs and improve human resources management. In that connection, it believed that the establishment of the revolving credit fund would deprive the General Assembly of control over the resources of the Organization, and would result in an increase in total arrears. It also felt that the proposed changes in the procedure for the application of Article 19 of the Charter would not lead to positive results. Financial reform must have the support of all Member States. An important step was to develop a new methodology for the scale of assessments, on the basis of the principle of capacity to pay.

23. To resolve the current crisis, assessed contributions must be paid in a timely manner. At the same time, all Member States should seek ways to liquidate the arrears of each individual Member State, taking into account any special circumstances. In the case of Belarus, its debts had arisen because of circumstances beyond its control. The steep increase in its assessed contribution at a time of severe economic difficulties during the transition period had led to the accumulation of huge arrears. Despite the adoption of decisions 48/472 and 49/470, the General Assembly had not approved adequate measures to resolve the situation. Belarus was doing everything possible to reduce its arrears. In 1997, it had paid over $6 million to the regular budget, and it was planning to pay $2.5 million by the end of 1998.

24. **Mr. Sucharipa** (Austria), speaking on behalf of the European Union, the associate countries of Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and in addition, Iceland, Liechtenstein and Norway, said he regretted to hear that for the fourth consecutive year, the Organization would only be able to sustain regular budget activities through cross-borrowing, a practice clearly very detrimental to troop and equipment contributors. Moreover, it was of concern that cross-borrowing might cease to be a cash-management option, given the decline in peacekeeping activity.

25. That some Member States had not met their treaty obligations promptly, in full and without conditions was unacceptable. Non-payment by major contributors had an especially big impact on the financial situation. The United States, as the largest contributor to the United Nations, a permanent member of the Security Council and the sole beneficiary of the existence of a ceiling which reduced the level of its assessment below its capacity to pay, should bear in mind its responsibility for the financial health of the Organization.

26. The General Assembly had acknowledged that the assessments of some Member States did not reflect their real capacity to pay and had eliminated the floor, thereby remedying some situations deemed to be unfair. The European Union hoped that that step would enable countries to meet their Charter obligations or, where appropriate, to propose a schedule for the payment of their arrears. The European Union had joined the consensus on a compromise proposal because it allowed for more fairness and transparency in the regular budget scale, which should help improve the financial situation of the Organization.

27. The European Union was firmly committed to finding solutions to the Organization's financial situation. Therefore, it felt that its proposal to introduce incentives/disincentives designed to expedite the fulfilment of obligations deserved further consideration. Also, it invited Member States to address the question of tightening the application of Article 19, currently the sole disincentive envisaged by the Charter. Finally, the States concerned wished to reiterate their proposal to revise the peacekeeping scale. The current arrangements for apportioning the costs of peacekeeping operations needed to be amended in order better to reflect the fundamental principle of capacity to pay.

28. **Mr. Shervani** (India), expressing his Government's concern regarding the severe financial crisis of the United Nations, stressed that while it was important for the Organization to devote greater resources to economic and social development, its peacekeeping budget also needed to be financed in full and on time. It was unfortunate that the High-Level Open-Ended Working Group on the Financial Situation of the United Nations had achieved no results even after prolonged negotiations, and that the United Nations had had to resort to cross-borrowing from peacekeeping funds in order to cover regular budget deficits.

29. As a country with a consistent record of paying its dues in full and on time, and one to which the United Nations owed around US$ 47.3 million in arrears (essentially reimbursements for its participation in peacekeeping operations), India called upon Member States that were in arrears to pay their contributions in full, on time and without conditions. The question of apportionment of expenses, scales of assessments and related matters was best discussed in a time of financial solvency. Discussions on those issues could not solve the present crisis, which had been caused by

a lack of political will to bear the responsibilities and obligations envisaged in the Charter.

30. His delegation also called on the Organization to make reimbursements to troop contributors on a time-bound basis, with priority for troop-contributing developing countries. The Organization should work on arrangements that would lead to the clearing of the financial backlog and ensure a smooth flow of funds in the future.

31. **Mr. Shen Guofang** (China) said that his delegation fully supported the statement made by the representative of Indonesia on behalf of the Group of 77 and China. He wished to stress two points. Firstly, the financial crisis of the United Nations had been caused mainly by the late payment or non-payment of assessments by Member States. In particular, the United States, using the excuse of its domestic legislation and disregarding the Charter and the relevant regulations, had accumulated colossal sums of arrears over a long period of time, as a result not of economic difficulties, but of its desire to achieve certain political objectives. The United States should abide by the Financial Regulations of the United Nations and pay its arrears in full, on time and without conditions. Secondly, the financial crisis had already hindered the normal functioning of the United Nations, causing certain activities to be delayed and certain programmes to be affected. His delegation was deeply concerned about the situation.

32. The year 2000 was approaching. The Organization must have a solid and stable financial base if it was to function more effectively and achieve the aspirations of Member States. That could only happen if all Member States had the political will to meet their financial obligations.

33. **Mr. Pappalardo** (Paraguay) announced that despite its own financial difficulties, his Government had paid its 1998 contribution to the United Nations regular budget in full.

34. **Mr. Watanabe** (Japan) drew attention to chart 33 of the informal document circulated by the Under-Secretary-General for Management which attempted to answer the question "How long can the present situation continue?"The chart offered two answers to that question. In the view of his delegation, there was a third reply, namely: "So long as the largest contributor continues to pay at least the same amount of its contributions for 1997." If that contributor did not pay, the financial situation of the United Nations would worsen. He asked for confirmation on that point from the Under-Secretary-General.

35. **Mr. Dobe-Mbalanga** (Democratic Republic of the Congo) said that his delegation endorsed the statement made by the representative of Indonesia on behalf of the Group of 77 and China. His delegation found it particularly regrettable that the Organization should have to resort to borrowing from the peacekeeping account in order to cover the deficit. The reforms initiated by the Secretary-General in 1997 to strengthen the role of the United Nations in promoting development could not be fully put into effect if the Organization did not have a reliable financial base. His Government appealed to all Member States to meet their financial obligations in full and on time and to cease imposing conditions that ran counter to the pertinent provisions of the Charter. His Government was striving to keep its contributions at an acceptable level, despite the tremendous economic difficulties it was facing.

36. **Mr. Sklar** (United States of America) said that the United States recognized its obligation to pay the funds due the Organization under its treaty. His Government was making every effort to ensure that its arrears would be paid as soon and as fully as possible. The representative of China had said that the United States had not paid its arrears because of a domestic problem. That problem did exist, and it was called the rule of law. In the United States, appropriations had to be voted by the Congress and signed by the President before the money could be spent.

37. In addressing the financial crisis, it was important not to take an alarmist position and shout, like "Chicken Little" in the children's fairy tale, that "the sky is falling". His delegation fully expected that the $197 million that the Under-Secretary-General had correctly characterized as not yet voted would, in fact, be voted by the United States Congress within the next week and be paid by year's end. It would therefore be useful to look at the charts circulated by the Under-Secretary-General in that context. According to chart 20, which showed the regular budget usable cash balance, if the US$ 197 million which his Government fully expected to pay by year's end was taken into account, the expected shortfall for 1998 would be reduced to US$ 50 million. In fact, the United Nations would show a better usable cash balance in 1998 than it had in the recent past. In charts 24, 25 and 26, assuming that the US$ 197 million would be paid by December, the combined cash balance would rise to US$ 725 million, a number that was consistent with the figures for the last four years. The situation, therefore, was stable and was not deteriorating.

38. Responding to the comment made by the representative of Japan in connection with chart 33, he said he agreed that the Organization was dependent upon three things for its stability; in fact, that stability had allowed it to do a number of things. Concerning the problem of payments to countries that had contributed to peacekeeping operations, he pointed

out that it was only half-true that they were not being paid. Peacekeepers were currently being paid on a regular basis and in full for their services; it was the past that was the problem.

39. He wished to stress that the regular budget was being fully funded, and mandates were being carried out. Although it would be desirable to have a higher year-end cash balance and to eliminate cross-borrowing, the cash balance had not been dropping. Programmes were not being delayed. The Committee should deal with the facts; claiming there was a crisis when one did not exist would only detract from a problem that was real.

40. **Ms. Buergo-Rodríguez** (Cuba) said that her delegation endorsed the statement made by the representative of Indonesia on behalf of the Group of 77 and China. Her Government had, in the course of the current year, made significant payments to the regular budget, as well as to peacekeeping operations. Thus, it had considerably reduced its arrears, despite the difficult circumstances it was experiencing. The fundamental cause of the critical situation of the Organization was the failure of the main contributor to pay its dues in full, on time and without conditions.

41. **Mr. Connor** (Under-Secretary-General for Management), referring to the point raised by the representative of Japan, said that until the underpayment by the major contributor was corrected by an overpayment in some subsequent year, the United Nations would always have a negative regular budget cash position at the end of the year. The only other way that situation might change would be if there was an expansion in the aggregate amount of assessments voted by Member States above the present level, which had largely remained the same since 1995.

42. Turning to the comments made by the representative of the United States, he said that the amount of US$ 197 million expected to be paid by the United States by year's end must be viewed within the framework of a total appropriation which was about the same as that paid in 1997. If that amount was paid by 31 December, there would be an element of catch-up to the extent of about half of that amount. Therefore, he and his staff had prepared the forecast using specific ground rules, and he certainly hoped that a forecast presented on that basis would encourage Member States to fund and pay their assessments on time.

Agenda item 113: programme budget for the biennium 1998–1999 (*continued*)

Development account (A/52/1009; A/53/7/Add.1)

43. **Mr. Atiyanto** (Indonesia), speaking on behalf of the Group of 77 and China, said that, although the reports under consideration (A/52/1009 and A/53/7/Add.1) reflected some of the Group's previous comments, parts of them were somewhat cryptic, especially with regard to the sustainability of the Development Account. It seemed that sustainability was to be achieved not only through savings, as originally envisaged, but also through the appropriation process, so that part of the onus would be borne by Member States. Since that idea deviated from the concept previously approved by the General Assembly, the Secretariat should provide some clarification.

44. He noted that the Secretariat had dropped the concept of non-programme costs, acknowledging instead that efficiency measures and productivity gains should be sought in all Secretariat activities, though without affecting the full implementation of mandated programmes. The originally proposed target of $200 million had also been dropped in favour of the idea that Member States should determine the ultimate level of the Development Account and the time-frame for achieving it.

45. It remained to be seen whether efficiency measures could reduce costs without negatively affecting the level and quality of Secretariat services. The Development Account should be used only to fund development projects and activities for developing countries and should complement, rather than replace, existing development activities. He was concerned about the inevitable impact of the proposed efficiency measures on the number of posts, considering that staff costs accounted for 70 to 80 per cent of the budget. He would like information on the areas to be affected and the number of posts to be abolished. He was also concerned about the idea that productivity gains should be submitted to the General Assembly for approval only in the context of the performance report, after the efficiency measures had already been implemented. Instead, the Secretariat should submit, every six months, a report on the impact of efficiency measures on the implementation of mandated programmes and activities after those measures had been approved by the Assembly. Lastly, he regretted that the Advisory Committee had been unable to consider the annexes to document A/52/1009, which concerned specific types of efficiency measures, and looked forward to receiving the Advisory Committee's comments.

46. *Mr. Armitage (Australia), Vice-Chairman, took the Chair.*

47. **Mr. Herrera** (Mexico) said that the Development Account was a crucial element of the Organization's reform process. He understood, from paragraph 4 of the Secretary-General's report, that the Development Account would be financed with the savings achieved as a result of productivity gains and that, as indicated in paragraph 5 of the Advisory Committee's report, such savings would come from all areas of the Secretariat. However, with respect to sustainability, he would like more information, preferably in the form of a clear example, on how the sustainability mechanism described in paragraph 6 of the Secretary-General's report would work.

48. He agreed with the proposal, contained in paragraph 18 of the Secretary-General's report, that any balance left in the Account at the end of a biennium should be carried forward to the succeeding biennium. Lastly, while the Fifth Committee could certainly state its views on paragraph 5 of the report, he felt that, in accordance with the spirit of General Assembly resolution 52/235, paragraph 6, other intergovernmental bodies should determine how the Development Account should be used.

49. **Ms. Buergo-Rodríguez** (Cuba) said that she fully supported the statement made by the Indonesian delegation on behalf of the Group of 77 and China. She, too, felt that the *ex post facto* reporting of efficiency measures and estimated savings to the General Assembly in the context of the performance report would be inappropriate. Instead, the General Assembly should be informed of such measures in advance, in the context of the budget outline. Paragraph 11 of document A/52/1009 indicated that the estimated savings to be achieved through productivity improvements in the next biennium would amount to $40 million; she asked for a breakdown of that figure. Since it had been recognized that efficiency measures would have a negative impact on staffing levels, she asked how many posts were to be abolished and what departments would be affected. The report had not provided all the details requested in General Assembly resolution 52/235, paragraph 4, such as an analysis of the impact of efficiency measures on the delivery of mandated programmes and activities and estimates of the possible savings to be achieved.

50. **Mr. Lozinski** (Russian Federation) said that his delegation felt that the mechanism for the operation of the Development Account had not yet been sufficiently worked out and agreed upon. It was necessary to clarify the situation with regard to the sustainability of the Account, which would be directly linked with measures to achieve savings in the expenditure of the resources allocated by Member States, while maintaining effectiveness. His delegation supported the Advisory Committee's view that neither gains from currency fluctuation and inflation nor savings resulting from the postponement of activities and programmes should be transferred to the Account. The Financial Rules and Regulations of the United Nations must be strictly observed.

51. The question of the funding of the Development Account also needed to be clarified. No hasty decisions should be taken. It would be far more logical to consider that question in the context of the performance reports, which would show the level of efficiency gains. The General Assembly could then decide what amounts were to be transferred to the Account. The Secretariat should provide a clear indication of the relationship of the Account to the total budget of the Organization, and specifically, how resources remaining in the Account would affect the level of the next budget.

52. Although in the current programme budget the Development Account was included in section 34, his delegation saw no good reason to create a separate section for the Account in subsequent programme budgets, particularly since the Account would be of a subsidiary nature within the framework of overall development activities.

53. Unfortunately there was no information on a possible system of control and auditing of the disbursement of resources from the Development Account. In view of the special nature of the Account, it would be advisable to take a decision on that question ahead of time.

54. *Mr. Abelian (Armenia) resumed the Chair.*

55. **Mr. Nakechbandi** (Syrian Arab Republic) expressed his delegation's support for the statement delivered by the Indonesian representative on behalf of the Group of 77 and China and said in connection with the Secretary-General's report on the Development Account (A/52/1009) that he valued the efforts of the Secretariat to respond to the requirements of General Assembly resolution 52/235. Noting, however, that the Secretary-General placed great reliance on reducing the use of hard copy and modernizing departmental and secretarial functions, he said that it remained unclear how the Secretariat viewed costs, such as those for conference and information services, which the Secretary-General might have previously regarded as non-programme costs. The Secretary-General also sought to enhance conference services support for meetings and documentation, using new technology and work methods. In that context, the Committee had requested circulation in the General Assembly of any studies produced on increased

use of distance translation at international conferences. The use of modern technology was welcome, but its potential impact on performance standards in written and oral translation was disturbing. Even more disturbing was the fact that it could ultimately lead to the redundancy of translation, in which connection he drew attention to the statement contained in the report of the Secretary-General on multilingualism (A/52/577) that use of the official languages promoted respect for the Organization's linguistic and cultural diversity. As for the electronic circulation of documents, he hoped that the Under-Secretary-General for Management would shortly provide further clarification on the subject.

56. In regard to efficiency measures, he said that the achievement of savings was not an end in itself, the first priority being to ensure optimum implementation of programmes and mandates as prescribed in General Assembly resolutions and in accordance with the medium-term plan. In the light of paragraph 3 of the report of the Secretary-General on the Development Account (A/52/1009), the impact of efficiency measures and savings on staffing levels was still not at all clear. He therefore supported the ACABQ recommendation that the Secretariat should provide comprehensive information on the matter in the context of the proposed programme budget and the performance reports (A/53/7/Add.1, para.13).

57. **Ms. Chen Yue** (China) said it should be borne in mind that the savings achieved through efficiency measures would not be limitless. In the long run, it would prove difficult to rely on such savings to fund the Development Account. The Secretariat should conduct a comprehensive and in-depth study on the sustainability of the Development Account to ensure that it could truly benefit the Organization's development activities. Efficiency measures should not be limited to certain departments or activities, nor should a fixed figure for savings be established, as mandated programmes and activities must not be sacrificed.

58. **Mr. Odaga-Jalomayo** (Uganda) said he agreed that savings should be sought throughout the Secretariat. However, General Assembly resolution 52/220, paragraph 70, had indicated that any savings realized as a result of efficiency gains from within the Economic Commission for Africa (ECA) should be redeployed to the subregional centres, yet paragraph 7 of the Secretary-General's report indicated that the regional commissions were involved in developing efficiency measures that would result in the transfer of funds to the Development Account. He therefore wondered whether ECA would be treated differently from the other regional commissions in that connection. Considering that Member States should be given as much information as possible on the Development Account, he was concerned about the indication, in paragraph 15 of the Secretary-General's report, that information on the impact of productivity initiatives on staffing levels and programme delivery would be provided to Member States "wherever possible", rather than on a regular basis. In connection with the statement, in paragraph 21 (f), that projects funded by the Development Account should have a strong South-South cooperation content, he asked whether the Chairman of the South Centre would have a specific role to play in that regard.

59. **Mr. Connor** (Under-Secretary-General for Management) said that the representative of Indonesia had raised a series of valid points. The concurrence of Member States was an absolute necessity for any change to be made in the Development Account. The programme budget submitted each biennium contained a separate section indicating potential efficiency gains and how they could be identified. Next, the first performance report confirmed what part of the potential efficiency gains had actually been achieved. It was not, as had been suggested, an *ex post facto* review of resource redeployment by the Secretariat, since such redeployment required the prior consent of the Member States. Lastly, the General Assembly had to decide whether to redeploy savings to the Development Account. Thus, Member States were involved at three important stages of the process. The questions of when and where to redeploy resources, and in what amount, could be decided only by the Member States.

60. The reference, in the Secretary-General's original reform proposal, to programme versus non-programme costs had reflected an initial focus on reducing administrative and related costs. However, that approach had been discarded; instead, all sections of the programme budget would be examined to identify potentially redeployable resources. He confirmed that the Development Account was to supplement, and not replace, mandated programmes and activities; the clarification suggested in paragraph 15 of the Advisory Committee's report (A/53/7/Add.1) might be useful in that regard. On the question of posts, the Secretariat focused on financial resources in identifying potential efficiencies and on human resources in determining how staff could best be redeployed so as to maximize the Organization's outputs. The Secretary-General had repeatedly stated that redeployment would not result in involuntary separations of staff. The Secretariat had not yet determined which posts would be affected by redeployment, but that information would be available by the time the proposed programme budget was submitted.

61. In reply to the representatives of Mexico and Cuba, he said that the Development Account would be sustained through productivity improvements that were themselves sustainable. The proposed programme budget to be submitted to the Fifth Committee would describe in detail the programme budget resources that were potentially redeployable. The budget outline was not suitable for that purpose, since it was only a preliminary indication of the Secretariat's resource requirements, compiled at a very high level of aggregation. Efficiency measures were not likely to affect mandated programmes negatively; on the contrary, Member States could expect the same, or better, outputs as a result of such measures.

62. He agreed with the Russian Federation that the Development Account's sustainability must be clear. However, it was impossible to guarantee that the Account would have the funding necessary for every purpose, and some efficiencies could be lost over time. Nevertheless, Development Account-funded projects approved by the Member States would be carried out. The Account would be governed by all United Nations regulations, including those relating to audit, and would be subjected to the same scrutiny as all other parts of the programme budget.

63. On the question of remote translation, while no formal study had been done, all translations for the Fourth World Conference on Women, which had been held in Beijing in 1995, had been done at Headquarters. The system had worked particularly well because it had allowed advantage to be taken of the time difference between the two locations. He had certain reservations about the use of remote interpretation, however, even though the system had already been tried by some agencies of the United Nations system.

64. The reality was that a great deal of information was already being transmitted electronically within the United Nations system. In his view, while there would always be a need for some printed texts, the proportion of the total which the latter represented would continue to diminish.

65. He agreed with the representative of China that efficiencies were not inexhaustible and were usually gained in waves that corresponded to the emergence of new technologies.

66. He would reply in writing to the question raised by the representative of Uganda concerning the regional commissions, since he needed to verify certain information. The phrase "wherever possible", to which the representative of Uganda had referred, however, should not raise any concerns, since the intention had merely been to introduce an element of caution.

67. **Mr. Sulaiman** (Syrian Arab Republic), clarifying his earlier comments on the subject of remote translation and interpretation, said that, notwithstanding the Organization's past experience with the use of the new technologies, the primary concern should be to ensure that the quality of translations and interpretation was not compromised. While his delegation welcomed the introduction of modern technologies into the Organization, such technologies should not affect the Organization's multilingual character. Indeed, the Assembly had made it clear in its resolutions on the subject that the electronic publication of documents should not affect the availability of printed copies. In short, his delegation was not enthusiastic about the introduction of remote translation and interpretation technologies and the Secretariat should therefore keep States informed of proposed innovations in that field so that their views could be taken into account.

68. **Mr. Connor** (Under-Secretary-General for Management) said that, while he was mindful of the need to maintain the quality of translations and interpretation, new and evolving technologies offered the Organization exciting possibilities for efficiency gains. All the Organization needed was a chance to try the new technologies and it would welcome the views and suggestions of Member States in that regard.

Analysis of savings resulting from the improved overall cost-effectiveness achieved pursuant to the ninth session of the United Nations Conference on Trade and Development, including the restructuring of the intergovernmental machinery and the reform of the secretariat (A/52/898 and A/53/7/Add.2)

69. **Mr. Halbwachs** (Controller), introducing the report of the Secretary-General on the analysis of savings resulting from the improved overall cost-effectiveness achieved pursuant to the ninth session of UNCTAD (A/52/898), said that the report contained an analysis of the resource situation and resource utilization in the biennium 1996–1997, including a review of how any savings incurred in the biennium had been "reallocated" in the context of the programme budget for the current biennium. In its decision 52/462 of 31 March 1998, the General Assembly had reviewed the unspent balance of funds remaining at the end of the biennium 1996–1997 and had decided to retain a balance with a view to financing the activities of UNCTAD. The balance in question amounted to $5,526,600. Accordingly, the Secretary-General had prepared his initial proposals and had presented them to the Working Party on the Medium-term Plan and the Programme Budget of the United Nations Conference on Trade and Development.

70. The report contained a table which showed the evolution of the budget of the United Nations Conference on Trade and Development from initial appropriation to final expenditures for the biennium 1996–1997. It also contained the proposals for the allocation of $5.5 million pursuant to General Assembly decision 52/462 of 31 March 1998, the results of the deliberations of the Working Party on the Medium-term Plan and the Programme Budget of UNCTAD on the draft report of the Secretary-General contained in document UNCTAD/ISS/Misc.121 and the text of the agreed statement by the Chairman of the Working Party.

71. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of ACABQ contained in document A/53/7/Add.2, recalled that the General Assembly, having taken note of the overall unspent balance of $9,326,600 from the regular budget for the biennium 1996–1997, had decided to allocate an amount of $2.5 million to the Integrated Management Information System for 1998 and an amount of $1.3 million for improving and refurbishing conference facilities, and to retain the balance of $5,526,600 with a view to financing the activities of UNCTAD. Upon enquiry, the Advisory Committee had been informed that the expenditures incurred for the above three items would be recorded in special accounts and reported in the notes to the financial statement when the accounts for the biennium were presented to the General Assembly at its fifty-fifth session in 2000. With that decision, the Assembly had implicitly waived financial regulations 4.2 to 4.4, according to which appropriations should be available only for the biennium to which they related. The Advisory Committee cautioned that that decision to fund activities after the biennium to which the funds related had ended would create a precedent and should be avoided. The Committee wished to point out furthermore that the $5.5 million in savings was not directly related to the decision taken at the ninth session of the Conference and the reform of the secretariat of UNCTAD.

72. With regard to the proposals for the financing of experts, the Advisory Committee had been informed that the questions of how the experts would be selected, nominated and appointed were still being negotiated and was of the view that decisions needed to be taken urgently so that foreseen activities could be carried out.

73. **Mr. Schlesinger** (Austria) speaking on behalf of the European Union, the associate countries of Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, and, in addition, Iceland and Norway, said that the European Union exceptionally agreed to approve the financing of the participation of experts in expert meetings of the regional commissions on the understanding that it would involve a one-time expenditure within the framework of the 1998–1999 biennium. Such approval, moreover, should not set a precedent with regard to the financing from the regular budget of UNCTAD of the expenses of experts who attended in their personal capacities expert meetings convened by the commissions. Finally, notwithstanding the normal budgetary procedures, details concerning the establishment of guidelines and modalities for the eventual disbursement of such funds would have to be elaborated by Member States within the framework of UNCTAD so as to allow endorsement by the Trade and Development Board at its forty-fifth session.

74. The European Union fully endorsed the concept of making the United Nations more productive while at the same time strengthening its activities in the economic and social fields. It therefore requested the Secretary-General to report on the progress achieved towards the goal laid out in paragraph 33 of General Assembly resolution 51/167.

Agenda item 118: scale of assessments for the apportionment of the expenses of the United Nations (A/53/11; A/C.5/53/L.4).

75. **Mr. Smyth** (Ireland), reporting on the informal consultations on chapter III, section C, of the report of the Committee on Contributions concerning the exceptions under Article 19 of the Charter, said that the consultations had produced agreement on a draft decision in which the General Assembly would endorse the conclusions of the Committee on Contributions contained in paragraphs 32 and 36 of its report (A/53/11).

76. *Draft decision A/C.5/53/L.4 was adopted.*

Other matters

77. **The Chairman** recalled that at the Committee's meeting the previous day the representative of Costa Rica had raised the issue of security in the United Nations General Assembly and Secretariat buildings during the two weeks of the general debate in the plenary Assembly and had requested that explanations should be provided on the matter. The representative of Egypt had also questioned why diplomatic cars had been towed away when special arrangements had been made by the United Nations Security and Safety Service with the City of New York to authorize parking in the vicinity of the United Nations during the two weeks of the general debate.

78. **Mr. McCann** (Chief of the Security and Safety Service) said that it was important to put the arrangements which had been made during the general debate in the

context of the overall security threat posed to the United Nations complex; the specific security threats to individuals in the complex at any particular time; the limited resources available to the United Nations Security and Safety Service to address those threats; the enormous task of providing security for delegations from 185 Member States, observers, petitioners, accredited journalists and NGOs, over 9,000 staff and many thousands of visitors; and the difficulties inherent in implementing modern security arrangements in a 50-year-old building.

79. The overall threat to the United Nations complex continued to be at a record-high level and information was regularly received about specific threats to high-level officials, to the complex itself and to visiting dignitaries. The Organization's own security services did not have the human or financial resources to fully address those threats without extensive support from the host country. It was for that reason that during periods of crisis or serious threats, host country security organizations were significantly more visible in and around the United Nations complex.

80. He wished to stress, however, that what occurred outside the complex, and in particular on First Avenue, was beyond his control. Indeed, the Security and Safety Service continued to argue against excessive closures of and freezes on First Avenue and remained of the view that all heads of delegations to meetings should be able to use the Forty-Third Street vehicle entrance and that pedestrian freezes on First Avenue should be reduced in number and duration. The approach of his Service was to balance the legitimate concerns of Member States for the protection of their dignitaries with the equally legitimate concerns of Member States to have access to the complex with a minimum of inconvenience. While his Service would continue to confront those issues directly, it believed that the Committee on Relations with the Host Country would be the most appropriate forum in which to further air the legitimate concerns of Member States.

81. With regard to specific issues which had been raised, he had discussed the issue of the towing of delegation vehicles parked on First Avenue with the host country authorities, who had acknowledged that the parking arrangements agreed upon in advance had not been changed and had expressed regret at the inconvenience that had been caused.

82. Security arrangements for high-risk dignitaries remained a complex issue. The arrival and departure of such dignitaries involved large numbers of support staff, which placed severe demands on the Organization's security officers. Another area of concern was the low-rise elevators adjacent to the delegates' North Lounge, the use of which had to be restricted during periods of high risk, since any individual intent on causing harm could gain immediate access to the heart of the secure area by using the elevators. While his Service could provide security checking for all personnel entering the elevators on the sub-basement or higher floors in order to facilitate the use of the elevators by delegations, the additional staffing costs entailed could not be met from within existing resource allocations.

83. He was genuinely surprised to hear the allegation that delegations had not been allowed to leave through the delegates' entrance, but without more specific information as to times and dates, it would be difficult to ascertain the facts. It remained the view of his Service that delegates could exit the complex in any manner they chose, although it was possible that during the pedestrian and vehicle freezes on First Avenue delegates might have been advised to use alternate entrances and exits.

84. The issue of crowding in the delegates' North Lounge was outside the direct control of the Security and Safety Service. The use of draping in various areas of the complex was a prudent security measure designed to minimize external observation of selected areas. Those measures were maintained for the minimum time necessary commensurate with the security situation at the time and should be discontinued immediately after they were no longer needed for security purposes.

85. On the subject of cash machines, it was his understanding that, subject to the occasional breakdown and lack of cash, both machines had been working normally during the period. It was possible that the lack of cash reported by a Member State had been a minor aberration or the result of heavy usage at a particular time.

86. Lastly, he noted with concern the criticism of himself as not being independent. He rejected that allegation as groundless and unacceptable. Notwithstanding the level of resources available to meet the security challenges that confronted the complex, the Security and Safety Service would do all within its power to ensure that delegations were treated with dignity, equality and respect.

87. **Ms. Incera** (Costa Rica) noted that the security arrangements put in place for the general debate in the plenary Assembly seemed to impose increasing hardships on delegates each year. The truth about the automatic teller machines was that they had been unable to dispense cash for one week because the vehicles of the banks resupplying the machines had been denied entry into the building. Furthermore, it was unacceptable that, after the stringent searches which they were forced to undergo on the perimeter

of the building, including the sniffing of vehicles by police dogs, delegates should have difficulty in gaining access to the second floor of the Secretariat building. While she agreed that it might be necessary to restrict access to First Avenue during the general debate, access must again be permitted after that period.

88. **Mr. Mirmohammad** (Islamic Republic of Iran) expressed his delegation's appreciation to the Security and Safety Service for the efforts being made to ensure the security of the building and its occupants and thanked the Chief of the Service for the detailed explanations which he had given to address the concerns raised by delegations.

89. **Ms. Buergo-Rodríguez** (Cuba) expressed understanding for the responsibility shouldered by the Security and Safety Service, especially during the general debate in the plenary Assembly. It was nevertheless important to draw a distinction between the responsibilities of the host city and those of the security service of the Organization itself, a subject that would be more appropriately discussed in the Committee on Relations with the Host Country.

The meeting rose at 6.15 p.m.